

ASSESSORS' HANDBOOK  
SECTION 512

ASSESSMENT OF MANUFACTURED  
HOME PARKS

OCTOBER 1983

REPRINTED SEPTEMBER 1997

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## Reprint Note

This manual has been renumbered and renamed from AH 510D, *The Appraisal of Mobilhome Parks*.

This manual has been reprinted with a new format and minor corrections for spelling and math errors. The text of the manual has not changed from the prior edition. It has **not** been edited for changes in law, court cases or other changes since the original publication date.

## **FOREWORD**

In the 1960's and early 1970's the demand for recreational, retirement and low cost housing generated an unprecedented acceleration in construction and improvement of manufactured home parks. The skyrocketing cost of conventional housing in the late 1970's and very early 1980's brought additional pressure for more widespread acceptance of manufactured homes as residences and thus the need for more manufactured home parks intensified. With the proliferation of more, and more modern manufactured home parks, came the need for more sophistication in appraisal methods.

This handbook is intended to bring the reader to a current status on the manufactured home park industry and to provide guidance in the unique appraisal problems represented by such parks. It was approved by the Board on October 26, 1983.

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October 1983

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# **CHAPTER 1: INTRODUCTION AND HISTORY OF MANUFACTURED HOME PARKS**

People have always moved about to improve their economic position or to find a more pleasant place to live. Some of the earliest travelers in the United States were the plains Indians who moved from place to place taking their possessions with them on travois behind their ponies. Later in history pioneers, miners, the army, and others traveled long distances in covered wagons loaded with personal possessions.

In the early 1900's the automobile changed the method of travel, and it was found that one could ride in an automobile that pulled a trailer loaded with possessions.

Later still it was discovered that if the trailer was made larger it could be used as a residence while parked along the way. Thus, the "mobil home" was born.

In 1937 the population of California began to grow at an unprecedented rate. People from other areas discovered that it was a desirable place to live, and many relocated here, using house trailers to transport their possessions and to live in while traveling and after arriving. There were no manufactured home parks, so the trailers were parked in unorganized clusters in out-of-the-way places. These clusters were the seeds of the old "trailer camps."

Actually, World War II triggered the development of "trailer parks" because people engaged in civil defense work needed housing near industrial centers. The Korean War, the need for college housing, and the desire for recreation, resort, and retirement residences brought about the development of larger and better trailers, and in about 1950 large trailers used for residential purposes became known as mobil homes. Many trailer parks developed after this date became known as manufactured home parks.

The stigma of the old trailer camps is not entirely gone from the public mind even today, but it is gradually dying. The large, modern manufactured home parks developed in the past few years are well planned and often become sophisticated neighborhoods. Some, in fact, are very similar in appearance to conventional planned-unit developments. The combination of low density use, large yards, improvement set backs, underground utilities, greenbelts, and high-quality manufactured homes provide a new image for manufactured home parks.

The residents are often people of considerable means who choose this way of life in preference to others that are available to them. Admittedly, there are still older parks that show their age, but they are slowly giving way to the modern manufactured home parks that are setting the standards of manufactured home living.

## **CHAPTER 2: MANUFACTURED HOME PARKS**

### **DEFINITION**

Section 18214 of the California Health and Safety Code (Mobilehome Parks Act) defines a manufactured home park as:

...any area or tract of land where two or more mobilehome lots are rented or leased or held out for rent or lease to accommodate mobilehomes used for human habitation.

### **STATUTORY PROVISIONS**

The California Health and Safety Code contains the “Mobilehome Parks Act.” This act does not pertain specifically to the valuation of a manufactured home park. However, it does contain requirements that must be met by the park owner if he is to stay in business legally. The appraiser should obtain a copy of the act and read it.

Aside from the provisions contained in the California Constitution and the Revenue and Taxation Code, pertaining to the valuation of property generally, there is no reference to the valuation of a manufactured home park.

### **TYPES OF MANUFACTURED HOME PARKS**

Manufactured home parks may be categorized in several ways: by age, by size, or by use. It is believed that **use** more clearly identifies one park in relation to another.

#### **FAMILY PARKS**

These parks cater to couples with children. They usually are located near employment centers, shopping, and schools. This type of park will have such facilities as a clubhouse, swimming pool, and perhaps a playground designed for use by family groups. However, management may not discriminate on the basis of race, sex, religion, color, nationality, or marital status.

Occupancy tends to be stable in family parks unless area employment is seasonal.

#### **ADULT AND RETIREMENT PARKS**

Adult and retirement parks usually cater to tenants older than a certain age and who have no children. Children may not be specifically excluded, however, according to certain court cases.

California law does not allow the manufactured home park owner to charge extra fees for members of one's immediate family or guests who stay less than 20 days in any month.<sup>1</sup> Any

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<sup>1</sup> Effective January 1, 1982, Civil Code, sections 798.25 and 798.26.

guest who stays less than this time period in any calendar month is not legally required to register with the management.

There is a wide range in the nature of retirement parks. Some newer ones have stringent criteria regarding the financial position of the tenants, the age of the manufactured home, and mandatory add-on features such as skirts for the manufactured home, awnings over parking ports, and enclosed porches. On the other hand, some older retirement parks make no demands except that the tenants live quietly and neatly.

Retirement parks often have large recreational facilities that include a clubhouse, pool, sauna bath, shuffle board, whirlpool baths, and other features. The clubhouse usually has a library, card room, and complete facilities for community dining. Some tenants of retirement age are subject to health problems and overexertion; trained attendants are thus necessary, thereby adding to operating expenses.

## **RESORT PARKS**

Resort parks are located near natural scenic or recreation features. They are found near the ocean, in the desert, or in the mountains. They may cater to well-to-do tenants who can afford to move seasonally or who can afford two manufactured homes in two different locations. The park is apt to have separate sections for regular manufactured homes, overnight campers, and storage areas for camping trailers and boats.

These parks usually have an elaborate clubhouse but often depend upon natural surroundings for recreational features. For instance, parks near the ocean may not have swimming pools.

These parks usually accept couples with children but may confine such families to specified locations in the park.

## **RECREATION PARKS**

Recreation parks are located within the boundaries of publicly owned and/or privately owned recreation areas. The clubhouse and park recreation facilities are usually not emphasized because of the surrounding natural features.

These parks often are in remote areas and subject to seasonal weather and seasonal vacancy factors. They may have higher than normal development costs and may take longer than the other types to reach a profitable occupancy level. Often there are restrictions covering the term of tenancy and the number of occupants. Rules regarding sanitation, neatness, and noise are strictly enforced.

## **AGE**

The principle of change probably is more profoundly demonstrated by the manufactured home park business than by any other segment of the real estate field. Parks are designed for manufactured homes and manufactured homes change yearly. Health and construction codes, architectural and functional modifications to manufactured homes, new and larger demands placed



upon utility systems, and changes in tenant attitudes toward recreation features have all played a part in creating the obsolescence that creeps over a park in a few years' time. Wider manufactured homes need wider spaces. Air conditioners and clothes dryers require heavy electrical circuitry; dishwashers, washing machines, and garbage disposals require larger drain lines; and active, healthy people need recreational facilities. Many parks designed and developed years ago ordinarily did not provide for these needs, and functional obsolescence has resulted. This type of obsolescence is very costly to eliminate, and in most cases park owners have decided to bear with it rather than invest in extensive remodeling. On the other hand, obsolescence of the park, along with changing of the highest and best use of the land, has brought about conversions of manufactured home parks to other uses, including manufactured home subdivisions and planned-unit developments.

## SIZE

The trend is toward larger operations managed by experienced personnel. Data collected recently show that only a few parks developed since 1965 have less than 80 spaces and that existing parks having fewer than 50 spaces are almost always 20 to 25 years old.

In addition, city planning and zoning regulations exercise an influence on size. Most cities and many counties will allow only 8 to 10 spaces per acre, and the trend is toward lower densities. This type of development requires such a large investment in land alone that the entire park must be large and carefully designed to be economically feasible.

There are manufactured home management companies in California that manage as many as 2,500 spaces. These companies not only manage the manufactured home parks, but in some cases share in their ownership. These companies offer up-to-date and sophisticated accounting and management facilities necessary for the successful operation of a modern manufactured home park.

## MANUFACTURED HOME SUBDIVISIONS

A manufactured home subdivision is a subdivision that is developed with manufactured homes rather than residences constructed on site. Several types of manufactured home subdivisions found in California today are:

- **Normal subdivisions** where the resident owns only his lot;
- **Planned-unit development** where the resident owns his lot and a fractional interest in certain common areas; and
- **Cooperatives** where the resident owns a fractional interest in the entire subdivision and an exclusive right to occupy a particular space for manufactured home purposes.

Four types of property may be found in a manufactured home subdivision.

## **Land**

The value of individual lots can most reliably be estimated by using the sales comparison approach.

## **Lot Improvements**

The market value of lot improvements such as fences, flatwork, outside lighting, storage buildings, etc., should be estimated. Most likely the replacement cost approach will be the most practical approach, although the sales comparison approach should be used when data are available.

## **Personal Property**

Personal property not exempt under section 224 of the Revenue and Taxation Code is assessable.

## **Manufactured homes**

If an assessable manufactured home is located on the lot or in the subdivision under appraisal, it should be valued and added to the total property when under the same ownership. If the manufactured home is assessable and not under the same ownership as the land, it should be separately assessed.

The appraised value of manufactured homes and lots in “normal” and “planned-unit” subdivisions can be estimated by using the sales comparison approach and the cost approach.

**Cooperative manufactured home** subdivisions are unique in that each resident holds an **undivided** fractional interest in the entire property plus his individual manufactured home. The appraiser must pay particular attention as to what property or interest transferred when appraising due to a change in ownership. Section 65.1 (b) of the Revenue and Taxation Code provides that when an interest in or a portion of real property is purchased or changes ownership that only the interest or portion transferred and the share in the common area reserved as an appurtenance of such unit or lot shall be reappraised.

## **MANUFACTURED HOME CONDOMINIUMS**

Section 783 of the California Civil Code states in part:

A condominium is an estate in real property consisting of an undivided interest in common in a portion of a parcel of real property together with a separate interest in space in a residential, industrial or commercial building on such real property, such as an apartment, office or store. (Emphasis added.)

As of this writing, the Department of Real Estate reports that it is not aware of any manufactured home condominiums in California.

There appears to be little advantage to having a true manufactured home condominium where all that can be individually owned is the interior air space in a manufactured home. In actuality, the advertised manufactured home condominium or condominium “type” manufactured home developments are really planned-unit developments.

With a planned-unit development, it is recommended that the common areas not be separately assessed. However, the value attributable to the common areas must be accounted for, and this is done by allocating portions to the various lots or units. An appraisal should be made of the common areas, including the improvements, if any, and a ratio of land to improvement value be estimated. This ratio can then be used in allocating land and improvement values of the common areas.

For example, assume there is a manufactured home planned-unit development with 50 lots and a common area consisting of land, a recreational clubhouse, and a swimming pool. Further, assume that buyers acquire fee title to their lot and manufactured home plus a 1/50th undivided interest in the common area and that an appraisal of the common area indicates a total value of \$300,000 with approximately \$200,000 improvement value and \$100,000 land value (a ratio of 2/3 improvement value and 1/3 land value). Finally, assume that the value of the individual lots are about \$20,000 each.

A selling price of \$32,000 for a vacant lot and a share of the common area could be analyzed as follows:

Selling Price		\$ 32,000
Individual Lot Value		<u>20,000</u>
Value of Common Area		\$ 12,000
Land Value of Common Area (1/3)	\$4,000	
Improvement Value Common Area (2/3)	\$8,000	
Total Land Value \$4,000 + \$20,000 =		\$ 24,000
Total Improvement Value		<u>8,000</u>
Total Value		<u>\$ 32,000</u>

A selling price of \$70,000 for a lot, **manufactured home**, and share in the common area could be analyzed as follows:

Selling Price (Cash Equivalent)		\$ 70,000
Lot Value		<u>20,000</u>
Residual for Common Area and Manufactured Home		\$ 50,000
Manufactured Home Value (Cost Approach)		<u>\$ 35,000</u>
Residual to Common Area		\$ 15,000
Land Value Common Area (1/3)	\$ 5,000	
Improvement Value Common Area (2/3)	\$10,000	
Total Land Value (\$20,000 + \$5,000) =		\$ 25,000
Total Improvement Value (\$35,000 + \$10,000)		<u>45,000</u>
Total Property Value		<u>\$ 70,000</u>

In the first example, the total common area value was only \$12,000 when sold with a vacant lot. It would not be unusual for the value of the common area, lot, or manufactured home to increase when sold with a manufactured home in place. The appraiser must use judgment as to where to

allocate this increase. For the purpose of illustration only, we put the increase in the common area.

Most likely, the value of the common area and the ratio of land to improvement value will change over time. The appraiser should be aware of this and maintain current estimates.

Section 65.1(b) of the Revenue and Taxation Code provides that when a unit or lot within a planned unit development with common areas or facilities is purchased or changes ownership, only the unit or lot transferred **and** the share in the common area reserved as an appurtenance of such unit or lot shall be reappraised.

### **CLOSED PARKS**

In the past there were a few manufactured home parks that were known as “closed parks.” These parks would only accept tenants that were willing to pay an “entrance fee.” This fee was not refundable, not considered prepaid rent, and amounted to \$1,000 or more. The California Civil Code, Section 798.37, now denies manufactured home park management the right to collect entry, installation, utility hookup, and landscaping charges. However, reasonable landscaping and maintenance requirements may be included in the park rules and regulations.

### **MANUFACTURED HOME PARK CONVERSIONS**

Some manufactured home parks have been converted to manufactured home planned-unit developments. The property is subdivided and individual sites sold to the manufactured home owners. The recreational and non-lot areas can remain under the ownership of the former manufactured home park owner or be transferred to a manufactured home park owners' association to be owned jointly by the lot owners.

In the event of such a conversion, the tenants must be given at least 12 months written notice, plus a 60-day termination before the proposed change actually occurs.

## **CHAPTER 3: MANUFACTURED HOME PARK DEVELOPMENT**

### **LOCATION**

The opinion of tenants and developers regarding the location of a manufactured home park has changed over the years. It was once believed that success depended on having large frontage on a major highway. Now, park residents, as other neighborhood residents, prefer to be away from the noise, dust and vibration that arise from traffic. The newer parks usually have an entrance avenue leading from the highway to the park.

Location in relation to city development or natural land features depends on the type of park and on the type of tenant the owner wishes to attract. There is a general trend by planners to permit parks in better commercially-zoned areas whereas before they were often restricted to light industrial areas or transition areas.

### **SITE PREPARATION**

Well-planned site preparation can be the key to successful park development. Surface grading and shaping must be accomplished so that there is no interference with the installation of underground utilities. Good surface drainage is most important yet must be accomplished with gradients gentle enough to allow easy maneuverability of large, unwieldy coaches.

Costs to accomplish site preparation vary from site to site depending upon natural topography and soil and subsoil types. Also, the size, shape, setbacks, and boundaries have an influence on the cost of site preparation.

### **UNDERGROUND IMPROVEMENTS**

Underground improvements include gas, water, waste lines, drain lines, and, in newer parks, electrical lines, telephone lines, and television cables.

Water and waste lines are almost always owner-installed and provide service to the individual spaces. This may be true of gas and electrical lines in parks where gas and electricity are delivered to one large meter from which the park owner resells it to the tenants.<sup>2</sup> The park owner in this situation is the owner of the underground lines as well as of the individual meters located at the spaces.

Park developers are beginning to ask utility companies to extend company-owned lines to the individual spaces, thereby eliminating the initial cost and avoiding meter reading, billing, and collection costs later on. However, utility companies usually will agree to run lines only to

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<sup>2</sup> With a "master meter" system, the park management must give all tenants their own beginning and ending meter readings and individual bills. The management must post the rate schedule published by the serving utility and charge the tenant the same amount as the utility company would if it were to bill the tenant directly (Public Utilities Commission Rule 18).

clusters of six or more meters, and the developer is obliged to install lines from there to the spaces. If the developer chooses to install his own system, he will have the full length of the lines to install, plus the cost of regulators and meters.

The point here is to alert the appraiser to the fact that there may or may not be initial installation costs.

## **SURFACE IMPROVEMENTS**

There are three types of surface improvements: **general**, **structural**, and **special**.

- **General improvements** include streets, curbs and gutters, walks, patios, and offstreet auto parking. All of these require paving.
- **Structural improvements** include clubhouse, manager's office, maintenance shed, storage building, utility and laundry building, hobby shops, and overhead lighting.
- **Special improvements** are not limited to, but may include, the following: swimming pool, whirlpool bath, sauna bath, putting green, boat dock, boat storage area, perimeter wall or fence, landscaping, and signs.

## **CHAPTER 4: MANUFACTURED HOME PARK OPERATION**

Three methods of manufactured home park management are: owners, resident managers employed by absentee owners, and lessees.

### **OWNER-OPERATED PARKS**

Owner-operated parks usually contain fewer than eighty spaces, and the owner serves as manager, bookkeeper, maintenance man, and recreation director. When analyzing this type of operation, the appraiser must allow a reasonable salary to the owner as an expense even though the owner does not enter a salary, or may enter an excessive salary, on his books.

### **MANAGER-OPERATED PARKS**

It usually takes more than fifty spaces to require the full time of the owner, or a professional manager. When there are fewer than fifty spaces, the appraiser may find a husband-and-wife team that manages the office, provides the outside care and maintenance, and directs recreational activities. Often the salary paid to this type of manager will include a rent-free space with utilities paid by the owner. Information provided by park owners indicates that this type of operation is very desirable.

Large, modern parks are usually run by professional managers or management companies. The management company may be a co-owner of the park.

### **LESSEE-OPERATED PARKS**

Lessee-operated parks are relatively few in number. The high yield rates enjoyed over the past twelve years have made leasing unattractive to owners, and most prefer to keep control of the operation, especially since good management is essential to a low vacancy factor. In instances where parks are leased, it is the practice to base the lease on a percentage of the gross income. Percentages of 10 to 15 percent are common for ground leases, and 40 to 60 percent for whole property leases.

## CHAPTER 5: VALUATION COMMENTS

### THE APPRAISAL PROBLEM

The first task facing the appraiser is to define the problem; that is, what property should be included in the appraisal?

All real and personal property belonging to the park owner should be included. Improvements such as manufactured home awnings, skirts, patio covers, storage buildings, modular screen rooms, and space landscaping owned by individual tenants should be excluded from the park appraisal since they are the separate property of the tenants and not of the manufactured home park owner.

### LAND VALUE

The appraiser may estimate the value of the subject land by relying upon direct comparison with sales of comparable land or by using a land residual technique. If the park is still in the fill-up stage of development, the cost approach utilizing land value indicated by sales is recommended. Allocation for the land should be made by the land residual technique where the improvements represent the highest and best use.

### IMPROVEMENT COSTS

There is a wide range in the type and quality of improvements in a manufactured home park. The appraiser is referred to Assessor's Handbook Section 532, *Commercial Building Costs*, for current improvement costs.

### DEPRECIATION

Accrued depreciation is the total value loss from all causes. It is the difference between cost new and present worth. Depreciation results from three forces that operate separately and/or together: physical deterioration, functional obsolescence, and economic obsolescence. Physical deterioration and normal functional obsolescence are included in the "percent good" tables found in Section 80 of Assessors' Handbook Section 532. Economic obsolescence and abnormal functional obsolescence are not included in these tables and must be dealt with separately. The appraiser must be especially watchful for accelerated functional obsolescence resulting from new **manufactured home** technology. Each new advance in the size, shape, or other feature of manufactured homes can have resounding impact upon an established park.

The accrued depreciation of a manufactured home park may be estimated in several ways: (1) improvements may be grouped according to their remaining economic lives with each group having a separate rate of decline; or (2) improvements may be taken as a whole with one composite economic life and one rate of depreciation. We believe that it is better to consider



improvements as a whole with one composite economic life and one rate of depreciation. The reason for this is that the value contributed by the **short-lived** improvements to the total value of the property is small percentage-wise, and the net change that would result from depreciating them by groups would be insignificant.

The history of manufactured home parks is relatively short and good data relating to the economic lives of the various long-lived features are vague. However, most authorities believe that long-lived improvements including underground utility and service lines should last at **least** 20 years if properly maintained.

## APPROACHES TO VALUE

Each of the approaches to value should be considered when planning the appraisal. The appraiser must keep in mind that each approach has built-in disadvantages as well as advantages and that comparison of the products of all the approaches is necessary to isolate any weak approach.

For example, recent park sales indicate that the value of an occupied park includes an increment of entrepreneurship that is not evident in the development cost of the park. For this reason the income and sales comparison approaches may be more reliable than the cost approach in appraising an ongoing operation.

The cost approach is quite reliable for new parks and is a reasonable check against the income approach for other parks. Assessors' Handbook Section 532.47 deals specifically with the replacement cost technique. This is considered a good technique for most parks, excluding only those with extraordinary recreation facilities or those encumbered with unusual leasing arrangements.

The sales comparison approach is considered to be the most reliable indicator of the value of a manufactured home park where there are good sales data.

Each of the building residual, land residual, and property reversion techniques has merit and should be utilized fully. **The land residual is far more sensitive than either the building residual or the property reversion and great care must be used in deriving the net income attributable to the land value.**

More and more appraisers are relying upon the property residual technique, especially where a reliable "**overall rate**" can be derived from arm's-length market transactions. This rate is self-adjusting and quite reliable where land and improvements contribute more or less equally to the total value of the property. This technique does not separate the values of land, improvements, or personalty; however, the appraiser will necessarily be required to do this in the cost approach or other techniques of the income approach.

## **CHAPTER 6: THE COST APPROACH**

The cost approach involves the summation of an independently estimated land value and the depreciated replacement cost of the improvements. The land is valued as if owned in fee, vacant, and available for development to its highest and best use.

If the appraiser chooses to employ the replacement cost approach, the procedure and factors presented in Assessors' Handbook Section 532.47 may be relied upon or the following outline may be used as a guide, using current replacement cost.

## REPLACEMENT COST NEW

**Land Value** (independently estimated, or if park is operating economically, use value indicated by land residual)

It is more common to find ground leases than whole property leases. These ground leases will vary in the length of term and other conditions. The appraiser should obtain a copy of such leases when they are encountered since they are helpful in estimating land value.

### Indirect Costs

Legal	
Planning	
Architect	
Permits	
Engineering	
Expenses During Construction	
Management	
Interest on Loan	
<b>Total Indirect Costs</b>	

### Direct Costs

Land Improvements	
Grading	
Off-Site Utility Lines	
Paving (Streets, Gutters, Curbs, Walks, Parking)	
Spaces	
Water Lines, Including Fire Hydrants	
Sewer Lines	
Electrical Line (Underground Including Meters) <sup>3</sup>	
Gas Lines (Underground, Including Meters) <sup>3</sup>	
Telephone Lines (Underground) <sup>3</sup>	
Fencing	
Lighting	
Refuse Collection Stations	
Signs	
<b>Total Land Improvements</b>	

---

<sup>3</sup> Do not include components provided by the utility companies.

## Structures

Clubhouse and Office

\_\_\_\_\_

Laundry and Utility Building

\_\_\_\_\_

Garages

\_\_\_\_\_

Storage Sheds

\_\_\_\_\_

Other

\_\_\_\_\_

Total Structures

=====

## Recreation Features

Swimming Pool

\_\_\_\_\_

Shuffleboards

\_\_\_\_\_

Barbecue Pit

\_\_\_\_\_

Other

\_\_\_\_\_

Total Recreation Features

\_\_\_\_\_

## Landscaping

\_\_\_\_\_

**Total Replacement Cost New**

=====

## Depreciation

Physical Curable (Cost to Cure)

\_\_\_\_\_

Physical Incurable: 0.04 Per Year X Cost New<sup>4</sup>

\_\_\_\_\_

Functional Curable (Cost to Cure)

\_\_\_\_\_

Functional Incurable (Capitalized Net Rent Loss)

\_\_\_\_\_

Economic (Capitalized Net Rent Loss)

\_\_\_\_\_

**Total Depreciation**

=====

## Value Indicated by Cost Approach

Total Replacement Cost New

\_\_\_\_\_

Less: Total Depreciation

\_\_\_\_\_

Depreciated Replacement Cost New

\_\_\_\_\_

Add: Land Value

\_\_\_\_\_

Total Value Estimated by Cost Approach

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<sup>4</sup> Economic life estimated at 25 years.

## CHAPTER 7: INCOME APPROACH

Manufactured home parks are income-producing commercial properties, and the income approach usually yields a reliable indicator of value. Simply stated, the income approach is the capitalization of the net income into an estimate of value. There are four techniques by which this may be accomplished: the **building residual**, the **land residual**, the **property reversion**, and **direct capitalization**. Each of these methods has valid applications, and, likewise, each can be misleading if relied upon solely. It is recommended that all methods be applied and correlated with any additional approaches to value.<sup>5</sup>

The four methods may be applied by adhering generally to the following outlines:

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<sup>5</sup> For a discussion of the approaches to value see Assessors' Handbook Sections 501, *General Appraisal Manual*, and 501A, *The Income Approach to Value*.

## NET INCOME CALCULATION

### Income

Rent From Spaces	_____	
Less Vacancy @ ____ %	_____	
Net Rental Income		_____
Plus Miscellaneous Income		
Washers and Dryers (Net)	_____	
Vending Machines (Net)	_____	
R.V. Storage (Net)	_____	
Total Miscellaneous Income		_____
<b>Effective Gross Income</b>		=====

### Expenses

Management	_____	
Insurance	_____	
Maintenance	_____	
Wages	_____	
Payroll Taxes and Insurance	_____	
Supplies	_____	
Utilities (Not Paid by Tenants)	_____	
Gardening	_____	
Legal, Business, and Accounting Fees	_____	
Advertising	_____	
Office Expenses	_____	
Transportation	_____	
Snow and Trash Removal	_____	
Outside Services	_____	
Miscellaneous	_____	
<b>Total Expenses</b>		_____
<b>Net Income Before Deducting Recapture and Property Taxes</b>		=====

## BUILDING RESIDUAL

Net Income (Before Deducting Recapture and Property Taxes)		_____
Less: Net Income Attributable to Land		
Land Value X (Yield Rate + Tax Rate)		_____
Net Income Attributable to Improvements and Personal Property		=====
Less: Personal Property Charge (Cost New)		
Office Equipment	_____	
Furniture	_____	
Laundry Equipment	_____	
Maintenance Equipment	_____	
Recreation Equipment	_____	
Total Value New	=====	
Total Personal Property Charge:		
(Total Value X Rate) <sup>6</sup>		_____
Net Income Attributable to Improvements		=====
Capitalized Earning Ability of Improvements:		
Net Income Attributable to Improvements ÷ (Yield Rate + Tax Component + Amortization Component) =		=====
<b>Recapitulation</b>		
Land	_____	
Improvements	_____	
<b>Total estimated property value</b>		=====

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<sup>6</sup> Rate composed of yield + recapture + allowance for taxes.

## LAND RESIDUAL

Net Income (Before Deducting Recapture and Property Taxes)		_____	
Less: Personal Property Charge (Cost New)			
Office Equipment	_____		
Furniture	_____		
Laundry Equipment	_____		
Maintenance Equipment	_____		
Recreation Equipment	_____		
Total Value	=====		
Total Personal Property Charge:			
<b>(Total Value X Rate)<sup>7</sup></b>		=	=====
Less Net Income Attributable to Improvements:			
Recreation Center	_____		
Laundry and Hobby Buildings	_____		
Pool	_____		
Other Miscellaneous Improvements such as Barbecue, Fencing, Lights, Signs, Off-Site Improvements, etc.	_____		
Total Value	=====		
Total Net Income Attributable to On- and Off- Site Improvements:			
<b>(Total Value X Rate)<sup>7</sup></b>			_____
Net Income Attributable to Land Value		=	=====
Capitalized Land Value:			
<u>Income Attributable to Land</u>			
(Yield Rate + Tax Component)		=	=====
Recapitulation			
Land Value	_____		
Improvement Value	_____		
Total Value			=====

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<sup>7</sup> Rate composed of yield + recapture + allowance for taxes.



## PROPERTY REVERSION

Net Income to Land, Improvements, and Personal Property \_\_\_\_\_

Present Value of Future Income =

Present Worth (Factor) of \$1 Per Year  
For \_\_\_\_\_ Years @ \_\_\_\_\_ %.

**(Present Worth Factor x Net Income)** = \_\_\_\_\_

Present Value of Land Reversion =

Present Worth Factor of 1, Deferred  
\_\_\_\_\_ Years @ \_\_\_\_\_ %.

(Factor x Land Value) = \_\_\_\_\_

Total Property Value \_\_\_\_\_

## STRAIGHT CAPITALIZATION

Net Income to Property \_\_\_\_\_

Capitalization Rate Derived from Sales \_\_\_\_\_

Total Property Value \_\_\_\_\_

(Income @ \_\_\_\_\_ %)

## CHAPTER 8: THE SALES COMPARISON APPROACH

The sales comparison approach is based upon the premise of comparing like with like; that is, comparison of the subject park with similar parks that have recently sold. This is often difficult with manufactured home parks because wide variations are found in land values, the design and shape of the park, and the design, age, and condition of the improvements. In those situations where the appraiser does have **confirmed** sales data from **arm's-length** transactions involving **comparable** parks, the sales comparison approach will usually provide the most **reliable indicator** of value.

When sales are available but are not comparable in all respects, the appraiser may turn to comparisons based **not** upon overall comparability but on one or several intrinsic components common to both the subject and the sales. These include **prices paid per space**, **price per improved acre**, and **gross income multipliers**. Manufactured home park owners and managers freely refer to value based upon prices paid per space and gross income multipliers.

Factors that will assist appraisers in establishing comparability between park sales are: net income as a percentage of gross income (net income ratio), net income multipliers, overall rates of return, and expenses as a percentage of gross income.

## CHAPTER 9: SUMMARY

Manufactured home park appraisals must be founded on the principle of highest and best use and accepted approaches to value employed to derive the value indicators. The sales comparison approach should be used as a value indicator for any park when **accurate data** from **recent sales** of **comparable parks** are available. When good market data are lacking, the income approach may be the best documented and the most reliable. It must be compared with the results of other approaches, however, in order to reveal any unrealistic answer.

The cost approach is reliable in appraising new parks if the highest and best use is a manufactured home park. However, it must be used cautiously with parks more than five years old.

The attempt here is to present techniques that the appraiser may use to estimate accurately the market value of **typical** manufactured home parks. When the park being appraised has specialized characteristics, the appraiser will necessarily need to use specialized techniques.

## CHAPTER 10: GLOSSARY

Each industry has its own special terminology that is assumed to be common knowledge by all people associated with that particular field. Knowledge of these terms is considered to be so basic that they are seldom defined. The purpose of this glossary is to familiarize the appraiser with the nomenclature of manufactured home construction, manufactured home financing, and manufactured home communities.

Many of these definitions are from *Mobilehome Salesmaker's Guide* published by Owens-Corning Fiberglas Corporation.

Parenthetical references are to California code sections unless otherwise noted.

***Add-On Interest*** The most common type of interest charge made for financing consumer items such as appliances, automobiles, manufactured homes, and recreational vehicles. The annual interest charge is calculated for the full term of the contract, then added to the amount borrowed, and divided by the number of months of the contract. A 7 percent add-on interest rate equates to 11 1/2 percent simple interest on a 15-year manufactured home loan.

***Alcan/Siding*** (See Horizontal Shiplap Siding.)

***ANSI (American National Standards Institute)*** The national coordinating institution of voluntary standardization in the United States. The Standard for Mobile Homes, ANSI A119.1-1975, is the voluntary national standard subscribed to by members of the Manufactured Housing Institute and is endorsed by 46 states. This standard for manufactured homes has been used extensively by Department of Housing and Urban Development in the development of federal standards for manufactured homes.

***Back Money*** Refers to the profit that the dealer receives from items other than the sale of a manufactured home or accessories and on which the dealer pays no sales commission. The two major items in Back Money are Dealer Reserve (Participation) and Insurance Commissions.

***Batten Insulation*** Type of insulation packed in between studding or rafters to reduce the transmission of heat and cold and to reduce fire hazard. (See also Blanket Insulation.)

***Batten Molding*** A narrow board or flat molding used to cover the space between or juncture of sheathing siding boards or two wall panels. (Usually a long, narrow, strip of wood or metal, curved, formed with regular channels and projections, or plain.)

<b><i>Blanket Insulation</i></b>	Wide, roll-type insulation usually used in floors and ceilings. (See also Batten Insulation.)
<b><i>Bottom Board</i></b>	A durable asphalt impregnated paper or plastic product which seals the bottom of a home.
<b><i>Bottom Rail</i></b>	The lowest portion of the side wall to which the studs are fastened.
<b><i>Breaker Box (Panel Box)</i></b>	Location of circuit breakers--point of entrance of electricity to home.
<b><i>Celotex</i></b>	A paper composite ceiling with high insulating properties.
<b><i>Chip Core (Particle Board)</i></b>	A composite board of high strength; used for flooring in place of plywood.
<b><i>Commercial Coach</i></b>	A structure transportable in one or more sections designed and equipped for human occupancy for commercial, industrial, or professional purposes, which requires a permit to be moved; it includes a trailer coach and it must be licensed by HCD. (Health and Safety Code, section 18001.8)
<b><i>Conditional Sales Agreement</i></b>	This is another name for a contract. It is an agreement between the dealer and buyer in which both the buyer and dealer agree to conditions set forth in the contract.
<b><i>Condominium</i></b>	An estate in real property consisting of an undivided interest in common in a portion of a parcel of real property together with a separate interest in space in a residential, industrial, or commercial building on such real property, such as an apartment, office, or store. A condominium may include in addition a separate interest in other portions of such real property. Such estate may, with respect to the duration of its enjoyment, be either (1) an estate of inheritance or perpetual estate, (2) an estate for life, or (3) an estate for years, such as a leasehold or a sub-leasehold. (Civil Code, section 783.)
<b><i>Contingent Liability</i></b>	Commonly used to express the potential liability a manufacturer has under the terms of a repurchase agreement.
<b><i>Contract</i></b>	(See Paper.)
<b><i>COS Box (Cosmetic Box)</i></b>	A small medicine cabinet used in a bathroom or dressing room.
<b><i>Coved Counter Top</i></b>	One-piece curved counter top.
<b><i>Curtailment (Reduction)</i></b>	This is a reduction in the principal amount owed on units in the dealer inventory which are floor planned. The bank and the

manufacturer, through their repurchase agreement, require that the principal amount be curtailed or reduced to compensate for age and wear and tear.

***Dead Axle***

An axle without brakes. (See also Live Axle.)

***Dead Load***

Refers to the mass (weight) of the structure or subassembly itself. (See also Dynamic Load and Live Load.)

***Dealer Buy Rate***

In traditional mobilehome financing, interest is calculated on an add-on basis. The difference between the cost of the financing to the dealership and the cost of financing to the retail consumer by the lending institution is known as his "buy rate." A good quality dealership will normally have a more preferential buy rate, which allows the dealer to make more on participation while charging the same interest rate to the consumer as a competitor might charge. Typically, if a dealer's buy rate is 14 percent, cost to the consumer would be 15 percent to 15 1/2 percent, depending upon how much the dealer can charge and still make the sale.

***Dealer Repurchase Agreement***

(See Repurchaser Agreement.)

***Dealer Reserve (Participation)***

A fixed amount of the add-on interest rate set aside by the lending institution on behalf of the dealer to protect the lender on future repossessions should the dealer go out of business. If the dealer remains in business, the reserve belongs to the dealer once the loans are paid off. Common business practice now dictates that the dealer receive a portion of the reserve amount on each loan at the time the loan is funded. Dealer Reserve (Participation) has become a substantial part of the dealer's net income over the past several years.

***Dependent Mobilehome***

One not equipped with a toilet for sewage disposal. (Health and Safety Code, section 18212(a).) (See also Independent Mobilehome and Self-Contained Mobilehome.)

***DOH***

(See HCD.)

<b><i>Double-Wide</i></b>	A manufactured home composed of two single sections, usually of the same size, that are perfectly matched. Each unit has its own chassis; they are towed to the home site and buckled together to form one living unit. (See also Expandable, Quad-Wide, Single-Wide, Tag/Tag-A-Long Section, and Triple-Wide.)
<b><i>Down-Flow Heating System</i></b>	A heating system that has distribution ducts in the floor. (See also Up-Flow Heating System.)
<b><i>Dynamic Load</i></b>	The forces induced by motion of the structure such as flexing, inertial g-forces (caused by starting and stopping), and vibration. (See also Dead Load and Live Load.)
<b><i>End Wall</i></b>	The front and rear walls of a manufactured home. (See also Shear Wall and Side Wall.)
<b><i>Expandable (Expando)</i></b>	A manufactured home, usually a single-wide, that has an addition(s) to the basic rectangular floor plan. The addition(s) is/are usually carried inside the basic structure while it is being towed to the home site, and is/are joined to the basic manufactured home at the site, adding to the overall square footage of the manufactured home. (See also Tag/Tag-A-Long Section.)
<b><i>Factory-Built Housing</i></b>	A dwelling unit, residential building, or an individual dwelling room or combination of rooms thereof, or building component, assembly, or system manufactured in such a manner that all concealed parts or processes of manufacture cannot be inspected before installation at the building site without disassembly, damage, or destruction of the part, including units designed for use as part of an institution for resident or patient care, which is either wholly manufactured or is in substantial part manufactured at an off-site location to be wholly or partially assembled on-site in accordance with building standards published in the State Building Standards Code and other regulations. Factory-built housing does not include a commercial coach, a manufactured home, manufactured home accessory building or structure, or a recreational vehicle. (Health and Safety Code, section 19971.)

<b><i>FHA/VA Financing</i></b>	FHA/VA financing is backed by the Government National Mortgage Association and provides lower down payments and longer terms than typical manufactured home loans. (The difficulty in meeting the regulation of FHA loans, which require manufacturer participation in the cost, and VA loans, which involve complicated paperwork and take a long time, has slowed the acceptance of these programs. In addition, there is resistance on the part of the dealership because participation (reserve) is eliminated.)
<b><i>Fish Plate</i></b>	A method of reinforcing steel; sometimes used on manufactured home frames.
<b><i>Floor Planning (Flooring)</i></b>	This term originated from financing of materials on a display floor. It is a method of financing a dealer's inventory. The dealer's floor planning source (bank, finance company, or savings and loan) will normally loan 100 percent of the invoice amount at simple interest rates. The flooring source does not make a profit on the floor plan interest charge but provides this service to the dealer in exchange for obtaining retail contracts, on which the flooring source makes a substantial profit.
<b><i>Foundation System</i></b>	Health and Safety Code, section 18551, sets the standards to be met for an approved manufactured home foundation. In addition, it requires that a building permit be issued from a local agency for the construction of the foundation and that the manufactured home owner submit proof of ownership of the land.
<b><i>FTC (Federal Trade Commission)</i></b>	A federal enforcement agency which promulgates trade regulations and rules, after being empowered to do so by federal law, and then enforces these rules. Major provisions of these rules cover warranties, service agreements between manufacturers and dealers, two inspections on manufactured homes after delivery to the retail consumer, and time periods in which service must be completed.
<b><i>Galvanized Steel</i></b>	Treated steel which resists rust and corrosion.
<b><i>Galvanized Strapping</i></b>	Metal strapping used to connect the floor and side walls.



<b><i>HCD (DOH)</i></b>	Department of Housing and Community Development (formerly Division of Housing), State of California. The state agency which enforces manufactured home construction standards in California. HCD (DOH) is the best known of all state manufactured home enforcement agencies since the first state-enforced standards were adopted by California on September 1, 1958.
<b><i>High Pressure Laminate</i></b>	Sink and counter top covering; brand names such as Formica, Micarta, and Nevamar.
<b><i>Horizontal Shiplap Siding (Alcan/Siding)</i></b>	Aluminum siding, usually prefinished with baked enamel but textured to resemble wood lap siding. Lap siding is usually backed with an insulating and sound-deadening material such as foam core, insul-board, or temlock.
<b><i>HUD (Department of Housing and Urban Development)</i></b>	The federal agency, headed by a cabinet officer, which oversees all federally sponsored housing programs and administers the federal manufactured home construction and safety standards.
<b><i>I-Beam</i></b>	Type of steel member shaped in cross section like the capital letter "I." (See also Ridge Beam.)
<b><i>Improvements</i></b>	Improvements includes: (a) All buildings, fences, fixtures, and structures affixed to or erected on the land; and (b) all fruit, nut bearing, or ornamental trees and vines, not of natural growth, and not exempt from taxation, except date palms under eight years of age. (Revenue and Taxation Code, section 105.)
<b><i>Independent Mobilehome</i></b>	One equipped with a toilet for sewage disposal. (Health and Safety Code, section 18212(b).) (See also Dependent Mobilehome and Self-Contained Mobilehome.)
<b><i>Installation</i></b>	The assembly of factory-built housing on-site and the process of affixing factory-built housing to land, footings, a foundation or an existing building. (Health and Safety Code, section 19974.)
<b><i>Junior Lienholder</i></b>	A person, other than a legal owner, having a perfected security interest in a commercial coach or manufactured home. (Health and Safety Code, section 18005.3.)

<b><i>Legal Owner</i></b>	A person holding a primary security interest in a manufactured home or commercial coach as evidenced by a certificate of title. Where there is no separate security interest, the registered owner shall also be the legal owner. (Health and Safety Code, section 18005.8.)
<b><i>Live Load</i></b>	Refers to a load that is not constant in its application upon the structure (such as wind and snow to the exterior and furniture, occupants, personal possessions, etc., to the interior) and is in addition to the weight of the structure. (See also Dead Load and Dynamic Load.)
<b><i>Live Axle</i></b>	An axle with brakes. (See also Dead Axle.)
<b><i>Manufactured Home</i></b>	Means a mobilehome. (Health and Safety Code, section 18007.)
<b><i>Manufacturer's Repurchase Agreement</i></b>	(See Repurchase Agreement.)
<b><i>Manufacturer's Statement of Origin (MSO; MCO: Title)</i></b>	All refer to the document initiated by a manufacturer which originates title to a manufactured home or recreational vehicle. In the automobile business, the title is commonly referred to as a "pink slip." In most states ownership cannot be passed without the title (MSO; MCO) changing hands. In some states, including California, it is possible for the dealership, through the report of sale, to pass ownership to a consumer without the consumer receiving clear title.
<b><i>Mastermeter</i></b>	Gas or electric meter that shows the grand total of all of the energy used in the park. (The park owner is usually rebated 25 percent on the gas and 15 percent on the electricity each month to pay for his operation.) (See also Sub-meter.)
<b><i>MCO</i></b>	(See Manufacturer's Statement of Origin.)

***MHI (Manufactured Housing Institute)***

A national association of manufactured home manufacturers and suppliers formed September 1, 1975, through the merger of Mobile Home Manufacturers Association (MHMA), based in the Midwest, Trailer Coach Association (TCA), originally founded in 1937-38 and based in the West, and Southeastern Manufactured Housing Institute (SEMHI). MHI is a nonprofit organization servicing the manufactured-housing industry. It promotes industry growth and welfare by seeking to provide better operating tools to its businessmen and women, thus enabling them to provide more economical distribution of manufactured homes to the United States consumer. MHI is voluntarily supported by manufacturers, suppliers, and other associate members engaged in the production and/or sales of products in the industry. The association provides a construction standards department and educational services to its members, including consulting services, films, marketing statistics, national advertising, national and retail shows, publications, public relations, seminars, and training programs. Also, most of the manufacturers in the West belong to Western Manufactured Housing Institute (WMHI), which services the western states.

***Mobilehome***

A structure transportable in one or more sections, designed and equipped to contain not more than two dwelling units, to be used with or without a foundation system. A mobilehome is a trailer coach which is in excess of eight feet in width or in excess of forty feet in length. In California mobilehomes were subject to the registration requirements of the Vehicle Code until July 1, 1981, when they became subject to the Health and Safety Code. Mobilehome does not include a mobilehome which has become real property by being affixed to land on a permanent foundation system or otherwise and is taxed as all other real property is taxed. Mobilehome does not include a commercial coach, factory-built housing, or recreational vehicle. (Health and Safety Code, sections 18008, 18075, 18075.5, and 18211; Revenue and Taxation Code, section 5801(b); and Vehicle Code, section 396.) (See Manufactured Home.)

***Mobilehome Accessory Building or Structure***

Any awning, portable, demountable, or permanent cabana, carport, residential garage, fence, porch, ramada, storage cabinet, windbreak or other building or structure established for the use of the occupants(s) of a manufactured home. (Health and Safety Code, sections 18008.5 and 18213.)

<b><i>Mobilehome Park</i></b>	Any area or tract of land where two or more manufactured home lots are rented or leased or held out for rent or lease to accommodate manufactured homes used for human habitation. The rental paid for any such manufactured home shall be deemed to include rental for the lot it occupies. (Health and Safety Code, section 18214.)
<b><i>MSO</i></b>	(See Manufacturer's Statement of Origin.)
<b><i>Multiple-Unit Mobilehome</i></b>	Two or more units that are fabricated or manufactured for later assembly as a single unit, which are actually sold to be assembled into a single unit. (Health and Safety Code, section 18080.3.)
<b><i>Multiple-Width Mobilehome</i></b>	A Multiple-Unit Mobilehome. (See also Double-Wide, Quad-Wide, Single-Wide, and Triple-Wide.)
<b><i>NFPA</i></b>	National Fire Protection Association. Developed NFPA501-B standard for manufactured homes jointly with industry associations. Developed first standard for trailers in 1940, known as "Standards for Fire Prevention and Fire Protection in Trailer Coaches and Trailer Courts." The NFPA501-B - ANSI A119.1 was a joint standard, now superseded by HUD standards.
<b><i>Non-Recourse Financing</i></b>	The party arranging the loan assumes sole liability should the retail consumer default. In order to provide non-recourse financing, the lending institution secures their position by obtaining mortgage guarantee insurance. (See also Recourse Financing.)
<b><i>Out of Trust</i></b>	Refers to the situation where the dealership violates an agreement of trust. In simple terms, it means the dealer sells something not owned and not paid for. In the manufactured home industry, out of trust situations can occur in two ways: <ol style="list-style-type: none"> <li>1. The dealership sells a manufactured home or recreational vehicle, which has not yet been floor planned by the bank, without paying the manufacturer. In this instance, the manufacturer is harmed and has the responsibility of solving the out of trust sale and collecting the money.</li> <li>2. The dealer sells a manufactured home or recreational vehicle, which the bank has floor planned, without paying off the bank. In this instance, the bank is harmed and has the responsibility for the unit sold out of trust.</li> </ol>

***Owners' Association***

A nonprofit association or corporation created to lease, to own, or to provide control, maintenance, management, and preservation of either the contiguous or noncontiguous areas, lots, or parcels, of a real estate development, or the separately owned areas, lots, or parcels, or both, or any interest in or portion of them; provided, that the certificates of membership or shares are transferable only by the transfers of the separately owned area, lot, or parcel. Such certificates of membership or shares of stock are interests in a real estate development. (Business and Professions Code, section 11003.1 and Corporation Code, section 25100(f).)

***Paper (Contract)***

In financial circles, the extension of loans by a lending institution is referred to as generating paper; the term "paper" arose from the material of which sales contracts were made. In other words, if a bank is generating a lot of paper, or a dealer is generating a lot of paper, they are simply financing a lot of manufactured homes or recreational vehicles.

***Participation***

(See Dealer Reserve.)

***Personal Property***

All property except real estate. (Revenue and Taxation Code, section 106.)

***Planned Development***

A real estate development, other than a community apartment project, a project consisting of condominiums, or a stock cooperative, having either or both of the following features: (a) Any contiguous or noncontiguous areas, lots, or parcels owned in common by the owners of the separately owned areas, lots, or parcels consisting of areas or facilities whose beneficial use and enjoyment is reserved to all or some of the owners of separately owned areas, lots, or parcels. (b) Power exists to enforce any obligation in connection with membership in the owners' association, or any obligation pertaining to the beneficial use and enjoyment of any interest in, or any portion of, either the commonly or separately owned areas, lots, or parcels, by means of an assessment or levy which may become a lien upon the separately owned areas, lots, or parcels of defaulting members or owners, which said lien may be foreclosed in any manner provided by law for the foreclosure of deeds of trust or mortgages, with or without power of sale. (Business and Professions Code, sections 11003, 11003.1, 11003.2, 11004; and Civil Code, Section 783.)

<b><i>Putty Tape</i></b>	Putty in tape form used to seal doors, windows, etc., on a manufactured home.
<b><i>Quad-Wide</i></b>	A manufactured home composed of four sections, each with its own chassis. (See also Double-Wide and Triple-Wide.)
<b><i>Recourse Financing</i></b>	For years, typical consumer financing in the manufactured home/recreational vehicle business was recourse financing. In this type of financing, the bank has recourse against the dealer if the homes sold by the dealer are repossessed. In common terminology, the dealer refers to this as “signing on the paper.” (See also Non-Recourse Financing.)
<b><i>Recreational Vehicle</i></b>	A camping trailer, motorhome, travel trailer, or truck camper, with or without motive power, designed for human habitation for emergency or recreational occupancy, and having a living area less than 320 square feet. (Health and Safety Code, section 18010.)
<b><i>Reduction</i></b>	(See Curtailment.)
<b><i>Registered Owner</i></b>	A person registered as the owner of a commercial coach or manufactured home, subject to the security interest of a legal owner. (Health and Safety Code, section 18009.5.)
<b><i>Repurchase Agreement</i></b>	The manufacturer’s repurchase agreement is a written agreement between the manufacturer and bank whereby the manufacturer agrees to repurchase units in the dealer’s inventory should the dealer default in his obligations or go out of business. A dealer’s repurchase agreement is a written agreement between the dealer and lender whereby the dealer agrees to buy back manufactured homes from the bank in which the retail consumer has defaulted on loan payments.
<b><i>Ridge Beam</i></b>	A beam, usually laminated of plywood sections, which transmits ceiling load in multiple-width manufactured homes. The ridge beam is normally located at the center of the home, and rafters are attached directly to it. A properly designed ridge beam allows the use of a large, open span in a manufactured home along its longitudinal axis, the direction the ridge beam usually runs. (See also I-Beam.)
<b><i>Roll-Formed Aluminum</i></b>	Typical trailer-type siding used for many years on manufactured homes. Usually 19/1000 of an inch thick, with a baked enamel finish, and typically installed in vertical sections 32 inches or 48 inches wide.

***Rule of 78s***

The rule of 78s is the method in which a lender using add-on interest achieves the same effect as a prepayment penalty in a conventional simple-interest home loan. The rule of 78s is a mathematical formula applied to the monthly payments which more heavily loads the interest charge in the early monthly payments.

***Security Agreement***

A security agreement, as specified by the Uniform Commercial Code (UCC), replaces the trust receipt. A security agreement between the lender and dealer eliminates the need of having an individual document (trust receipt) initiated for each home. While most states accept the Uniform Commercial Code, banks, finance companies, and savings and loan institutions have been slower to change from the traditional trust receipt, even though the security agreement gives them more legal protection.

***Self-Contained Mobilehome***

One equipped with a toilet, water storage tank for potable water, and sewage holding tank. (Health and Safety Code, section 18212(c).) (See also Dependent Mobilehome and Independent Mobilehome.)

***Service Companies***

Service companies entered the manufactured home and recreational vehicle business around 1967. The service company acts as a broker between the dealer and lender by providing mortgage guarantee insurance. The service company induces a bank or savings and loan to enter the manufactured home and recreational vehicle financing fields without creating a separate department in the institution. In particular, service companies were successful in launching savings and loan institutions into high-yield manufactured home loans without having to set up separate consumer financing departments. The service company derives its income from a commission charged in terms of interest rate on loans they arrange. Initially, service companies provide non-recourse financing for the dealership in exchange for reduced dealer participation.

***Shear Wall***

A wall (not an exterior wall) designed to support the horizontal live loads through the structure to the chassis. (See also End Wall and Side Wall.)

***Side Wall***

The outside walls of a manufactured home. (See also End Wall and Shear Wall.)

<b><i>Single-Wide</i></b>	A manufactured home composed of one unit and shipped on a single chassis. A modern single-wide offers about 900 square feet of actual living space; it will usually measure 12 or 14 feet wide by up to 70 feet long. (See also Double-Wide, Expandable, and Triple-Wide.)
<b><i>Special Purpose Commercial Coach</i></b>	A vehicle, with or without motive power, designed and equipped for human occupancy for commercial, industrial, or professional purposes, which is not required to be moved under permit; it includes a trailer coach. (Health and Safety Code, section 18012.5)
<b><i>Stock Cooperative</i></b>	A stock cooperative is a corporation which is formed primarily for the purpose of holding title to improved real property either in fee simple or for a term of years. Substantially all of the shareholders of such corporation receive a right of exclusive occupancy in a portion of the real property, which right of occupancy is transferable only concurrently with the transfer of the membership certificate (or share of stock) in the corporation held by the person having such right of occupancy. The term stock cooperative does not include a limited-equity housing cooperative. (Business and Professions Code, sections 11003.2 and 11003.4.)
<b><i>Strong Back</i></b>	A structural member joining the rafters together in a ceiling.
<b><i>Sub-Ceiling</i></b>	A second or additional layer in manufactured home ceiling construction. The sub-ceiling is attached directly to the ceiling joists/rafters, and then the acoustical ceiling is installed on the sub-ceiling. Typical materials used in sub-ceiling are gypsum board, ply-veneer or plywood, and sheet-rock (a trade name for gypsum wallboard).
<b><i>Subdivided Lands</i></b>	(See Subdivision.)



<b><i>Subdivision</i></b>	Subdivision refers to improved or unimproved land divided for the purpose of financing, lease, or sale, whether immediate or future, into five or more parcels. However, if such land is sold by parcels of not less than 160 acres which are designated government surveys and appear as such on the current assessment roll, such land is not subdivided lands, unless divided for the purpose of sale of gas and oil. This definition does not apply to the leasing of apartments, offices, stores, or similar space within an apartment building, commercial building, or industrial building, or manufactured home park, except that the offering of leases for a term in excess of five years to tenants within a manufactured home park as a mandatory requirement and prerequisite to tenancy within the manufactured home park, is a subdivision. (Business and Professions Code, sections 11000, 11000.1, 11000.5, 11004, 11004.5; and Government Code, section 66424.)
<b><i>Sub-Meter</i></b>	Meters, usually located in the rear area of each manufactured home's carport, that the park landlord uses to bill each tenant for utilities. Such meters are not installed when parks use a "flat rate" (wherein energy expenses are included in the rent) or when tenants are billed direct from the local power company. (See also Mastermeter.)
<b><i>Tag/Tag-a-Long Section</i></b>	A third section to a manufactured home, usually shorter in length than the other sections, which is shipped on its own chassis. (See also Double-Wide and Triple-Wide.)
<b><i>Title</i></b>	(See Manufacturer's Statement of Origin.)
<b><i>Travel Trailer</i></b>	A vehicle, other than a motor vehicle, which is designed or used for human habitation and which may be moved upon a public highway without a chauffeur's license or special permit or both, without violating any provision of the Vehicle Code. (Health and Safety Code, section 18219.)
<b><i>Travel Trailer Park</i></b>	Any area or tract of land, or a separate designated section within a manufactured home park where one or more lots are leased or rented or held for lease or rent to owners or users of recreational vehicles used for recreational or travel purposes. (Health and Safety Code, section 18220.)

<b><i>Triple-Wide</i></b>	A manufactured home composed of three sections, each with its own chassis. (See also Double-Wide, Quad-Wide, Single-Wide, and Tag/Tag-A-Long Section.)
<b><i>Trust Receipt</i></b>	An agreement of trust entered into between the dealer and bank, specifying conditions relating to a manufactured home. The trust receipt secures the bank, and payment is not issued to the manufacturer until the dealer signs the trust receipt.
<b><i>Up-Flow Heating System</i></b>	A heating system that has distribution ducts in the ceiling and usually has return air through the floor. (See also Down-Flow Heating System.)
<b><i>VA Financing</i></b>	(See FHA/VA Financing.)
<b><i>WMHI (Western Manufactured Housing Institute)</i></b>	An association of western manufactured home manufacturers and suppliers founded in March 1977. The purpose of this association is to promote industry products in the western region of the United States, with particular emphasis on land use and legislative issues, to be coordinated through state dealer organizations. This new association covers the geographic area formerly covered by TCA (Trailer Coach Association), originally founded in 1937-38.
<b><i>Window Garnish</i></b>	The molding or trim that finishes a window installation from the inside.
<b><i>XX (B Section)</i></b>	The half of a double-wide home without electrical or plumbing termination. (See also XXU.)
<b><i>XXU (A Section)</i></b>	The half of a double-wide manufactured home which traditionally has had the majority of utilities in it, but always has the electrical and plumbing connections/termination. (See also XX.)